CLEAR DIRECTION TO OPPORTUNITY

ANNUAL REPORT 2003

CLEAR
ENERGY INC

CORPORATE PROFILE

Clear Energy Inc. is a $100-million market capitalization, high-growth, oil and gas exploration company that emerged from the reorganization of Vermilion Resources Ltd. on January 22, 2003. The Company is focused on growing per share value through the exploration and acquisition of high quality natural gas assets in Western Canada.

Clear Energy's shares trade on the Toronto Stock Exchange under the symbol "CEN."

ANNUAL GENERAL MEETING

Clear Energy's annual general meeting of shareholders will be held in the Wildrose Centre Ballroom of the Sheraton Suites, Eau Claire, 255 Barclay Parade S.W., Calgary, Alberta, on Wednesday, June 2, 2004, at 3 pm. All shareholders are invited to attend, and those unable to do so are requested to sign and return the form of proxy mailed with this report to ensure representation at the meeting.

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FINANCIAL HIGHLIGHTS

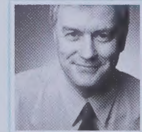
FINANCIAL ($000s except per share amounts)	**Year ended December 31, 2003**
Petroleum and natural gas revenues	$ 27,724
Cash flow from operations	**16,544**
Per share, basic	0.62
Per share, diluted	0.62
Net earnings	**1,756**
Per share, basic	0.07
Per share, diluted	0.07
Capital expenditures	26,779
Working capital (deficit)	$ 15,183
Common shares outstanding	
Basic (current)	28,646,607
Diluted (accounting for shares plus all options)	30,551,607
Diluted with performance rights	34,080,807
Weighted average common shares outstanding	
Basic	26,747,305
Diluted	26,872,485
Share trading	
High	$ 3.80
Low	$ 2.40
Close	$ 3.55
Trading volume	30,731,273

OPERATIONS	
Production	
Crude oil & NGLs (bbls/d)	381
Natural gas (mcf/d)	10,165
Boe/d (6:1)	**2,075**
Corporate reserves (proved plus probable) (mboe)	**2,127**
Undeveloped land (net acres)	274,013
Net asset value (per share)	**$ 2.22**
Average selling price	
Crude oil & NGLs (per bbl)	$ 31.38
Natural gas (per mcf)	6.77
Operations netback	**23.92**
Cash flow netback	**$ 23.24**

OFFICERS AND DIRECTORS

Jeffrey S. Boyce
President, CEO & Director

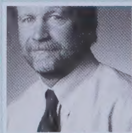
Stephen E. Bjornson, C.A.
VP Finance & CFO



Chris Baker, B.Sc.
VP Exploration

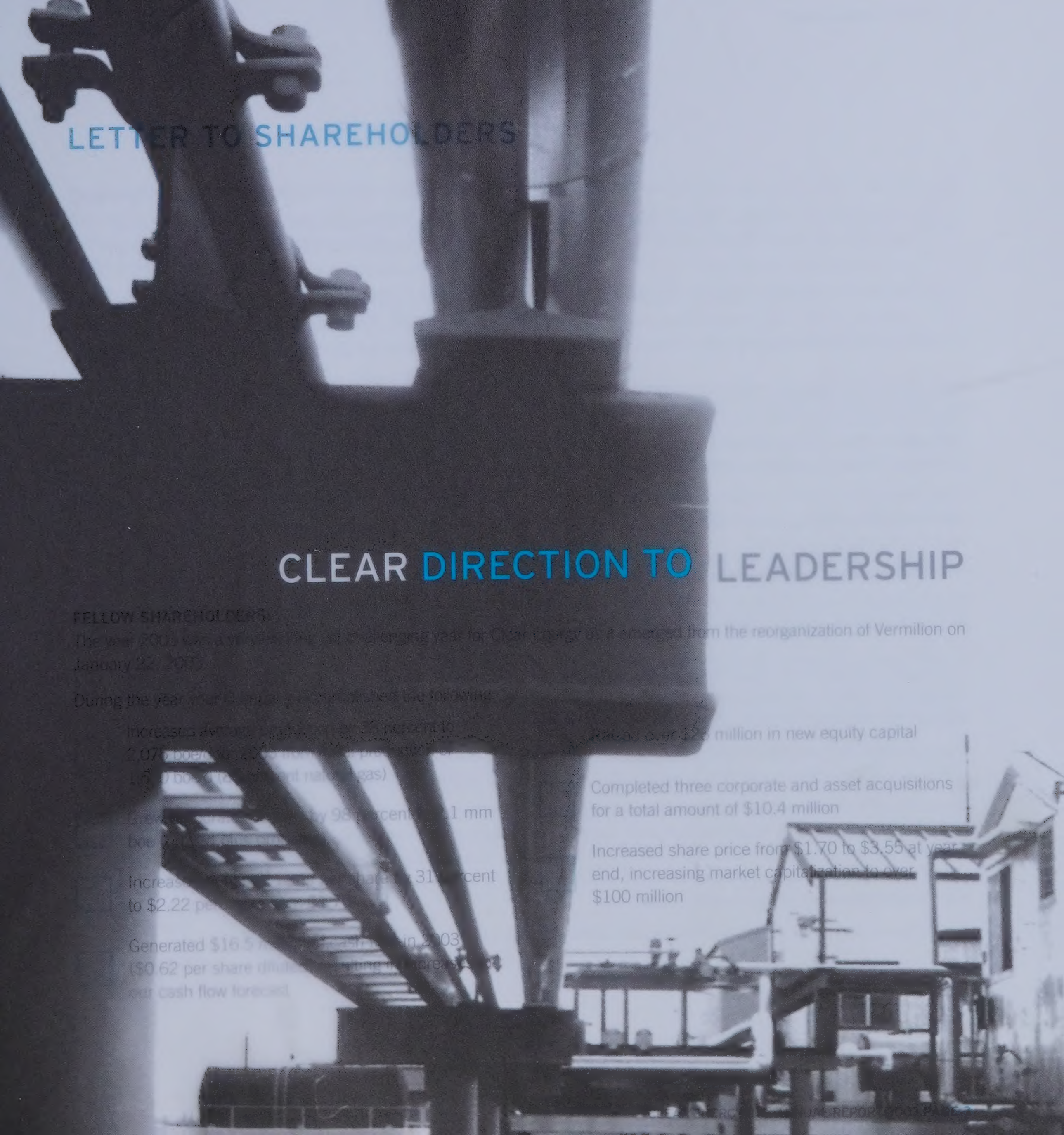
C. Tom Banks, P. Eng.
VP Engineering & Operations

Charles W. Berard
Partner, Macleod Dixon LLP;
Lead Director



W. Peter Comber
Managing Director, Barrantagh
Investment Management Inc.;
Director

Larry J. Macdonald
Chairman & CEO of
Point Energy Ltd.;
Director



LETTER TO SHAREHOLDERS

CLEAR DIRECTION TO LEADERSHIP

FELLOW SHAREHOLDERS:

The year 2003 was a [illegible] year for Clear Energy as it emerged from the reorganization of Vermillion on January 22, 2003.

During the year, Clear Energy accomplished the following:

- Increased average [illegible] percent to 2,076 boe/d [illegible] 1,6[illegible] boe/d ([illegible] natural gas)
- [illegible] by 98 percent [illegible] mm boe [illegible]
- Increas[illegible] by 31 percent to $2.22 pe[illegible]
- Generated $16.5 [illegible] in 2003 ($0.62 per share [illegible] increase [illegible] our cash flow forecast
- [illegible] over $2[illegible] million in new equity capital
- Completed three corporate and asset acquisitions for a total amount of $10.4 million
- Increased share price from $1.70 to $3.55 at year end, increasing market capitalization to over $100 million

OFFICERS AND DIRECTORS

Jeffrey S. Boyce
President, CEO & Director

Stephen E. B
VP Finance &

Chris Baker

C. Tom Banks

Charles W. Berard
Partner,

W. Peter
Managing Director,
Investment Manag
Director

J. Macdonald
Chairman & CEO of
ergy Ltd.;
Director

LETTER TO SHAREHOLDERS

LEADERSHIP

FELLOW SHAREHOLDERS:

The year 2003 was a very exciting yet challenging year for Clear Energy as it emerged from the reorganization of Vermilion on January 22, 2003.

During the year your Company accomplished the following:

- Increased average production by 38 percent to 2,075 boe/d for 2003 from initial production of 1,500 boe/d (85 percent natural gas)
- Grew corporate reserves by 98 percent to 2.1 mm boe (proved plus probable)
- Increased net asset value per share by 31 percent to $2.22 per share from $1.70
- Generated $16.5 million of cash flow in 2003 ($0.62 per share diluted) resulting in increases to our cash flow forecast
- Raised over $26 million in new equity capital
- Completed three corporate and asset acquisitions for a total amount of $10.4 million
- Increased share price from $1.70 to $3.55 at year end, increasing market capitalization to over $100 million

Despite these significant achievements your Company had some difficult challenges and distractions to deal with:

- A three-month EUB hearing regarding drainage issues on the Shane Kiskatinaw "D" Pool, which the Company eventually won
- A 38-day production shut-in of the Shane Kiskatinaw "D" Pool, representing over 80 percent of the Company's production, disrupted operations
- A high-risk exploration drilling program that led to disappointing drilling results and higher than anticipated finding and development costs
- Short reserve life index asset base of 2.4 years (proved plus probable)

As a result of managing our way through most of these issues, and with the ongoing support and patience of our shareholders, we are much better positioned heading into 2004.

The production shut-in and hearing are behind us and the Company has now taken control and operatorship of over 90 percent of its assets, ensuring more reliability in the management of these assets and execution of our future plans.

Our prospective drilling inventory is more diversified and lower risk enabling for greater certainty and opportunity. In addition, a new natural gas production area at Glacier, which should be on stream in April 2004, will diversify the Company's production and reserve base.

While the Company continues to deal with the upcoming significant decline in production at Shane and the relatively short reserve life index, it continues to generate substantial cash flow from its low cost assets. Because of this low cost structure, along with a strong balance sheet ($15 million in cash and no bank debt), we have maximum flexibility in managing these issues.

Commodity prices remain quite strong with the 2004 strip at over US$34.00/bbl WTI and remainder of the gas year at Cdn$6.30/GJ AECO. Combined with significant equity capital available, the cost of acquiring assets or companies have dramatically increased to the point that they are at all time highs.

Management will continue to focus its efforts on high quality, impact, natural gas drilling projects on the Peace River Arch while continuing to search for an accretive acquisition that can diversify our asset base and extend our shorter reserve life index.

The environment looks ideal for the resurgence of exploration as a core growth driver for junior companies. Large capitalized companies are focusing on large resource plays (tight gas and heavy oil) while energy trusts are focuing on new acquisitions including consolidation of the trust sector along with exploitation of their existing assets. This current landscape along with strong commodity prices and favourable equity markets create an ideal environment for a select group of well managed, high-growth exploration companies to emerge.

Our Company has all the intentions of being one of these select, high growth, exploration companies.

Outlook

The first quarter of 2004 has seen some positive drilling results on the Peace River Arch with initial production to commence at Glacier in April 2004. Production for the first quarter 2004 remains well ahead of our average production forecast of 2,500 boe/d for the year.

The Company has outlined a capital program of $30 million for 2004 that will be financed with cash flow and cash reserves and will support drilling activities at Glacier, Shane and Clear River.

Clear Energy expects to average 2,500 boe/d of production for the year that is estimated to generate $17 to $20 million of cash flow.

The corporate picture remains financially strong with no debt and $15 million of cash, while our operating costs remain well below our budgeted $4.00/boe. Our intentions are to keep a very strong and conservative financial picture. The Company currently is unhedged, which has worked extremely well under this strong price environment. But as the Company expands its production base or makes a strategic acquisition, we will look to lock in potential returns on investment with a portfolio of hedges that will provide good downside price protection.

This year will be a very exciting and challenging year for Clear Energy and I believe our experienced and motivated employees are up to the challenge.

Acknowledgements

As with many new companies the first year of business is a transitional year and I feel Clear Energy has accomplished some substantial achievements in 2003 and strongly believe the Company's exploration activities will provide significant growth in 2004.

I would like to personally thank our employees and our directors for their dedication and commitment throughout 2003. I look forward to their continuing efforts and support.

I would especially like to thank our shareholders and financial advisors for their market support and belief in Clear Energy and its management team.

Respectfully submitted on behalf of the Board of Directors,

Jeffrey S. Boyce
President & CEO

March 31, 2004

CLEAR DIRECTION TO STRATEGY

EXPLORATION STRATEGY

Clear Energy is implementing an exploration strategy that is focused on the following operational objectives:

- Natural gas and light oil

ACQUISITION STRATEGY

- Entrance ... core area

CORPORATE STRATEGY

The environment to grow an oil and gas company has probably never been better with respect to strong commodity prices and equity markets. At the same time, it has never been more challenging. The competition for acquisitions has created difficulties in developing a successful acquistion based growth strategy. Management believes the most effective path to growth will be through successful drilling activity. Efforts will continue to be focused on developing a high quality asset base with a diversified drilling portfolio. The Company will engage in acccretive aquisitions that complement our exploration activities.

STRATEGY

EXPLORATION STRATEGY

Clear Energy is implementing an exploration strategy that is focused on the following operational objectives:

- Natural gas and light oil
- High netback production
- Quality longer life reserves
- High working interest
- Operatorship and facilities control
- High impact, multizone areas

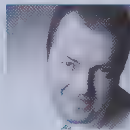
ACQUISITION STRATEGY

Property acquisitions will provide support for the exploration strategy with the following attributes:

- Consolidation of working interests
- Acquiring additional undeveloped lands
- Obtain facilities ownership/control
- Acquiring cash flow base
- Balancing the asset mix
- Entrance to a new core area

EMPLOYEES AND CONSULTANTS

Ron Andriuk
Senior Geologist



Colleen Boos
Financial Assistant

Janice Larson
Senior Geological Tech

Brent Clark
Geologist

Bev Matthews
Executive Assistant

Tammy Dingreville
Engineering Technician

Mike Perkins
Senior Explorationist

Nigel Goody
Senior Geophysicist

Laurie Ann Fotie
Accounting Consultant

Donna Morrison
Accounting Consultant

Carol Ng
Land Consultant

Geoff Ready
Engineering Consultant

Rob Sheedy
Land Manager

Kim van de Pypekamp
Receptionist

PROPERTY OVERVIEW

CLEAR DIRECTION TO GROWTH

EMPLOYEES AND CONSULTANTS

PROPERTY OVERVIEW

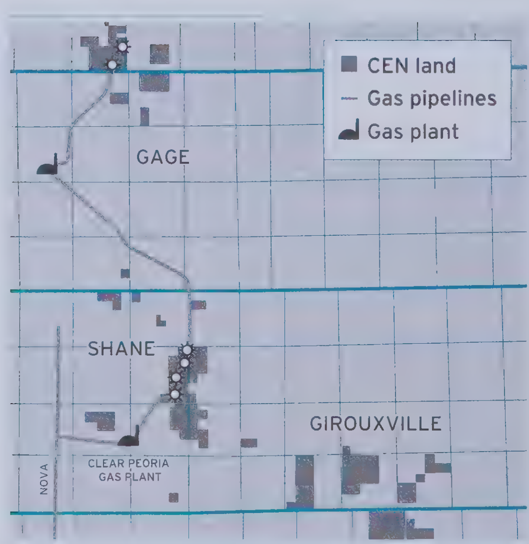
GROWTH

Upon review of the Company's current asset base in conjunction with the exploration and acquisition strategy, there are apparent weaknesses with the existing assets. The objective of the 2004 capital program is to initiate projects aimed at improving the reserve base in order to meet the objectives outlined in the strategy. The following areas of concern will be addressed in the property overview:

- Short life reserve base
- Asset concentration risk
- Reliance on one main producing formation

Clear Energy's activities are focused on the Peace River Arch where it has a large undeveloped land base of 124,201 net acres. This area can be subdivided into three main areas: Shane, Glacier and Clear River. The Company has an extensive inventory of natural gas prospects in these areas, comprising deeper, high impact prospects and more predictable, shallower, moderate impact prospects. The capital program defined in the property overview outlines the $20 million exploration program committed to defined projects. The remaining $10 million of capital expenditures budgeted for 2004 are contingent on development capital for any potential discovery or an acquisition opportunity.

In addition, the Company has production at two minor properties, Oberlin and Ricinus, and has an extensive exploration land base in Saskatchewan targeting both shallow gas and high risk, high impact oil. Clear Energy also has an exploration land presence at Turner Valley (Chain Lakes) and Wildcat Hills.



Undeveloped land

Gross	81,512
Net	65,306

Operated facilities

Peoria 35 mmcf/d gas plant with 1,100 HP compression
2 field facilities totalling 3,600 HP compression
56 km of 6" and 8" pipelines

2004 capital expenditures	$5 million

Number of wells

2003	4
2004	10

2003 production	1,997 boe/d

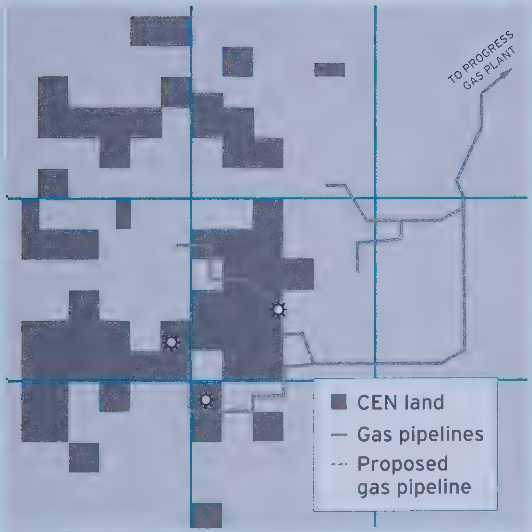
Shane/Gage/Girouxville exploration area

Most of the Company's production comes from the Shane and Gage areas from the Kiskatinaw formation. This area is characterized by a combination of high risk, high reward exploration prospects and shallower, structurally trapped medium risk Cretaceous and Triassic prospects. The Shane/Gage/Girouxville areas remain attractive to Clear Energy due to:

- All season access
- Multi-zone potential
- Moderate drilling costs
- Availability of high impact targets
- Consolidated undeveloped land position
- Facilities infrastructure ownership/operatorship

A typical high reward prospect could result in production rates in excess of 10 mmcf/d per well from a reserve base of up to 30 bcf as shown by Clear Energy's Kiskatinaw "D" pool at Shane. These prospects are trapped either stratigraphically or in combined structural/stratigraphic traps which makes their prediction difficult (15 percent chance of success). The Company cannot rely on this high risk portfolio alone and management has responded by developing a more balanced project inventory for 2004.

The shallower Cretaceous and Triassic plays are typically structurally trapped and are therefore more predictable with sufficient seismic coverage. Typically these wells will produce around 1 mmcf/d from a reserve base of 1 to 2 bcf. Success rates are 40 to 50 percent, with a typical dry well cost of $400,000 to $500,000. A successful example of this type of prospect was drilled in the first quarter of 2004 and is currently awaiting tie-in with initial gross production rates expected to be around 1 mmcf/d.



Undeveloped land	
Gross	31,911
Net	31,395
2004 capital expenditures	$10 million
Number of wells	
2003	1
2004	7
2003 production	none

Glacier exploration area

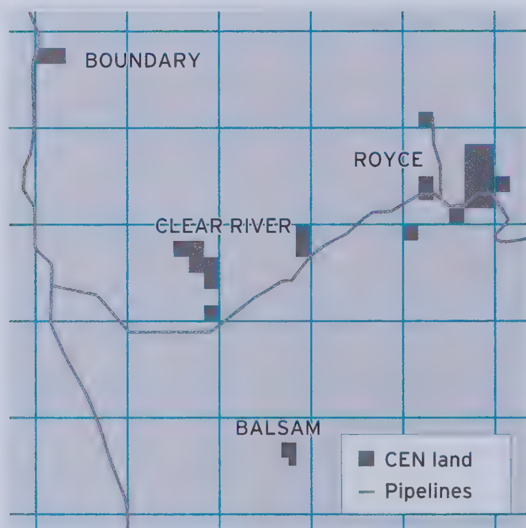
The Glacier area represents the primary exploration area of focus for Clear Energy. This area is typified by areally extensive tighter gas sands. As many as 10 different horizons are prospective, varying from the Dunvegan at 700 metres to the Montney at 2,700 metres. The Company has accumulated a large undeveloped land base of 26,669 net acres in the area in an attempt to diversify the risk of its drilling portfolio. The main characteristics of the area are:

- Multiple target horizons
- Additional Crown land and farm-in opportunities
- High working interest
- Consolidated undeveloped land base
- Combination of winter and all season access
- Significant development potential
- Regional tight gas sands
- Drilling costs in range of $1 million per well (depth 2,700 metres dry hole)

Exploration prospects in this area have a 20 to 50 percent chance of success. To date the Company has drilled three wells in the area with 100 percent success rate. The first two wells are awaiting tie-in and the third well is awaiting completion.

In late 2003 Clear Energy demonstrated its commitment to this area by purchasing a Doig gas well with associated undeveloped lands and an accompanying seismic database. This well is currently being tied-in and is expected to come on production in the second quarter at rates in the range of 1 to 2 mmcf/d. Geophysically, the extent of the pool appears to be highly predictable and the Company is currently drilling a development location to exploit the 8 bcf of gas reserves predicted to be in place.

The Company will drill two exploration wells into shallower targets after spring break-up. Success in either of these will lead to a low risk development program of five to six wells. These wells should exhibit stabilized first year rates of 0.75 to 1.00 mmcf/d from a reserve base of 1 to 2 bcf.



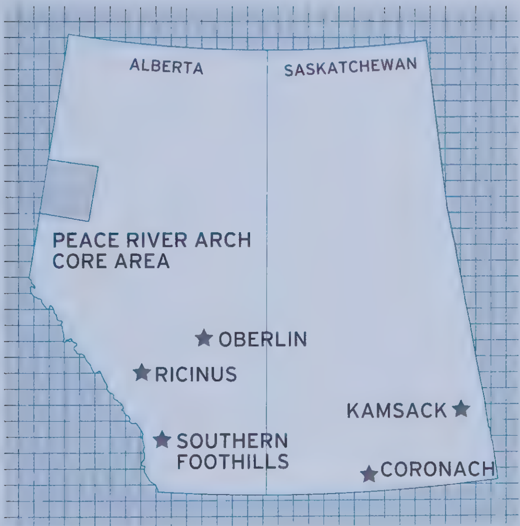
Undeveloped land

Gross	30,845
Net	27,500
2004 capital expenditures	$3 million
Number of wells	
2003	2
2004	8
2003 production	none

Clear River exploration area

In a further bid to diversify its drilling risk, Clear Energy has accumulated a substantial land base in the Clear River exploration area on the north side of the Peace River Arch. This area is typified by relatively shallow, structurally trapped, Cretaceous gas plays and higher impact Triassic subcrop plays. A variety of high risk deeper prospects are also prospective in the area.

Towards the end of 2003 the Company shot 50 km of 2D seismic data to more closely define a series of shallow gas plays in the area. Evaluation of this data has lead to the selection of six locations which will be drilled in the third quarter of 2004. Typically these wells will produce at 0.75 mmcf/d from a reserve base of 1 bcf for a dry hole cost of $300,000. These wells have a 30 percent chance of success. Clear Energy's land is in farmland with good all season access.



Undeveloped land	
Gross	168,788
Net	149,812
2004 capital expenditures	$2 million
Number of wells	
2003	6
2004	4
2003 production	78

Minor properties

ALBERTA – RICINUS

Clear Energy was active in 2003 at Ricinus where we drilled one successful Viking gas well which is currently producing at 2 mmcf/d (Company has a 25 percent working interest) and completed a second well which is on production at 0.5 mmcf/d (Company has a 50 percent working interest). Although the Company does not have an extensive land base in the area, because of the complex nature of the structure Clear Energy is evaluating the potential of downspacing to exploit different thrust sheets.

ALBERTA – OBERLIN

In 2003 the Company purchased 50 boe/d of very stable production in the Oberlin area of Central Alberta. Clear Energy drilled one well which was successful in encountering its primary target, but was significantly depleted by adjacent production. The Company intends to drill one well in the area in 2004 targeting shallow gas and a shallow completion in an existing wellbore is scheduled for 2004.

ALBERTA – SOUTHERN FOOTHILLS

Clear Energy owns land on a shallow gas prospect close to Turner Valley, and an extensive exploration land base at Wildcat Hills. The company will begin to evaluate this land base in 2004 and assess participation in more expensive Foothills projects.

SASKATCHEWAN – KAMSACK

The Company drilled three shallow wells at Kamsack in 2003 targeting biogenic gas. Two of the wells were abandoned due to lack of reservoir and, although the third was successful in finding gas, it was with water and at uneconomic rates. Clear Energy is currently evaluating its options on this potentially regionally extensive resource play.

SASKATCHEWAN – CORONACH

The Company also owns an extensive land base in the Coronach area of Saskatchewan on which it is exploring for deep oil in the Lodgepole mud mounds. A shallow gas play is also being developed in the area.

OPERATIONS OVERVIEW

Production

Clear Energy's production for 2003 was affected by significant events that created fluctuation in volumes from quarter to quarter. The Shane area, representing more than 80 percent of total production, was subject to a competitive drainage situation that could have impacted the ultimate recoverable reserves and the production profile of those reserves. Clear Energy and its partners made an EUB application to limit drainage from a competitor's well in the pool. On June 11, 2003, the Company announced a favourable ruling by the EUB resulting in a reduction to allowable production from the third party, off-target well. Unfortunately, the dispute did not end with that ruling. On September 12, 2003, the Company and one of its partners jointly acquired the off target producer's working interest in the pool and its related wells, pipelines and facilities to settle the dispute. The acquisition was of strategic importance to Clear Energy as it became operator of the entire Shane area, including all pipelines and the Peoria gas plant. In addition, it allowed production to resume at agreed upon rates and increased the ultimate recoverable reserves for the Company.

PRODUCTION SUMMARY — Average for 2003

	Oil & NGLs (bbl/d)	Natural gas (mmcf/d)	Total (boe/d) (6:1)
Peace River Arch	370	9,765	1,997
West Central Alberta	10	264	54
Foothills	1	136	24
Total	**381**	**10,165**	**2,075**

Average production for 2003 was significantly higher than 1,300 boe/d originally projected for the year. The increase in production occurred primarily from the Shane pool, which is characterized as a high deliverability Kiskatinaw channel. Over the course of the year Clear Energy achieved higher production levels through better production performance and acquistions of additional working interest. Concurrent with the acquisition of the competitive interest, common pool ownership was negotiated and production was established at 35 mmcf/d natural gas plus associated liquids (Clear Energy net 2,350 boe/d). In addition to its production in the Peace River Arch, Clear Energy added production at Ricinus (Foothills) from a well drilled in the second quarter. The Company has tied in a second natural gas well at Ricinus in the first quarter 2004 bringing total net production in the area to 145 boe/d.

Production remains in excess of budgeted 2,500 boe/d in the first quarter of 2004. Forecasted 2004 production is 2,500 boe/d despite an active capital program for the year due to the significant declines anticipated in the Shane Kiskatinaw pool.

Drilling

During 2003 Clear Energy drilled a total of 16 wells (11.8 net) resulting in six gas wells (4.8 net), one oil well (one net) and nine dry holes (6.1 net). The majority of Clear Energy's drilling was exploratory, with 14 new pool wildcat drills (10.4 net) and two development wells (1.4 net) drilled. The success rate on wildcat wells was 43 percent (46 percent net) and 50 percent (70 percent net) on development wells. Clear Energy drilled two wells (two net) in the fourth quarter of 2003, which were both dry and abandoned.

DRILLING SUMMARY — **Year ended December 31, 2003**

	Exploration		Development(1)		Total	
	(gross)	(net)	(gross)	(net)	(gross)	(net)
Oil	–	–	1	1.00	1	1.00
Gas	6	4.75	–	–	6	4.75
D&A	8	5.63	1	0.42	9	6.05
Total	**14**	**10.38**	**2**	**1.42**	**16**	**11.80**
Success rate (%)	43	46	50	70	44	47

(1) Clear Energy's single development oil well was licensed as an oil well but was assigned only gas reserves by GLJ.

During 2003, Clear Energy initiated its drilling program targeting high risk/high reward Kiskatinaw pools from a project inventory developed at Vermilion. The success rate of 43 percent on exploratory wildcat wells was indicative of the difficulty in identifying the Kiskatinaw channels. The focus of our business strategy at the end of 2003 and the first quarter of 2004 was to diversify the prospect portfolio creating an inventory of lower risk, multi-zone prospects in order to improve the drilling results and provide sustainable growth in the future.

TO THE SHAREHOLDERS OF CLEAR ENERGY INC.:

Gilbert Laustsen Jung Associates Ltd has prepared an independent evaluation of the proved and proved plus probable oil and gas reserves and future cash flows of the oil and gas properties owned by Clear Energy as at January 1, 2004.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook. The reserves definitions used in preparing our estimates are those contained in the COGE Handbook and the Canadian Securities Administrators National Instrument 51-101.

We have no responsibility to update this evaluation for events and circumstances occurring after the preparation date of our report, January 31, 2004. In this regard, Clear Energy has stated that as of January 31, 2004, there have been no material changes in their properties that would have a material negative effect on the values compared to our evaluation.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Gilbert Laustsen Jung Associates Ltd.

Keith Braaten

Keith M. Braaten, P. Eng.
Vice-President

April 2, 2004

Reserves

Clear Energy engaged the independent petroleum consultants Gilbert Laustsen Jung Associates Ltd. ("GLJ") to evaluate reserves for all of the Company's properties effective January 1, 2004. Reserves were determined using definitions contained in Canadian Securities Administrator National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook. The values shown are based on GLJ's January 1, 2004, escalating price forecast and costs or constant price and cost scenario values are not representative of fair market value. Clear Energy's gross Company interest proved reserves have increased by 474 mboe to 1,376 mboe (53 percent). Proved plus probable reserves have increased by 1,054 mboe to 2,127 mboe (98 percent). Total proved reserves are 65 percent of total proved plus probable reserves.

SUMMARY OF RESERVES — **Effective January 1, 2004**

	Gross company interest reserves			Net company interest reserves[3]		
	Natural gas	NGLs[2]	boe (6:1)	Natural gas	NGLs	boe (6:1)
FORECAST PRICES AND COSTS	(mmcf)	(mbbl)	(mboe)	(mmcf)	(mbbl)	(mboe)
Proved producing	3,470	163	742	2,421	112	516
Proved developed non-producing[3]	3,026	14	518	2,237	10	383
Proved undeveloped	395	50	116	271	34	79
Total proved[1]	6,891	227	1,376	4,930	156	978
Probable producing	419	14	84	292	10	59
Probable non-producing[4]	3,602	66	666	2,385	35	433
Total proved plus probable	**10,912**	**307**	**2,127**	**7,606**	**201**	**1,469**

Numbers may not add due to rounding.

RESERVE VALUES — **Effective January 1, 2004**

		Before income tax cumulative cash flow		
FORECAST PRICES AND COSTS ($000s)	Undiscounted	Discounted at 8%	Discounted at 10%	Discounted at 15%
Proved producing	13,144	12,286	12,105	11,695
Proved developed non-producing	5,875	4,288	4,013	3,458
Proved undeveloped	1,601	1,492	1,466	1,401
Total proved	20,621	18,066	17,584	16,555
Probable producing	1,216	996	959	884
Probable non-producing	6,687	4,730	4,422	3,812
Total proved plus probable	**28,523**	**23,792**	**22,965**	**21,251**

Numbers may not add due to rounding.

(1) Proved reserves are defined as those reserves where there is a 90 percent certainty that ultimate quantities recovered will be equal to or exceed the estimated proved reserves. Hence this is a conservative estimate of recoverable reserves.

(2) Clear Energy has less than 1,000 bbl of overriding royalty heavy oil reserves and does not have any light or medium oil or unconventional sources (bitumen, synthetic crude, natural gas from coal, etc.).

(3) All proved developed non-producing wells are estimated to be on-stream by the second quarter of 2004.

(4) Probable non-producing reserves have been assigned to two wells. Both wells are to be drilled and evaluated in 2004.

Reserve reconciliation

Previous evaluation (dated January 1, 2003) by GLJ used reserve definitions of National Policy 2-B ("NP 2-B"). Using these definitions probable reserves were adjusted by a factor to account for risk associated with their recovery. Clear Energy previously applied a risk factor of 50 percent and reported the resultant "established" reserves. Under current NI 51-101 definitions, estimates are prepared such that the full proved plus probable reserves are estimated to be recoverable (i.e. proved plus probable reserves under NI 51-101 are risked to have an aggregate certainty of 50 percent). Although not precisely comparable, proved plus probable reserves under NI 51-101 are compared to established reserves determined under NP 2-B.

RECONCILIATION OF RESERVES AND RESERVE LIFE INDEX (mboe @ 6:1)

GROSS COMPANY INTEREST RESERVES[1]	Proved producing	Total proved	Total proved plus probable
Reserves as of January 22, 2003[2]	852	902	1,073
Extensions	129	223	777
Discoveries	–	88	126
Technical revisions	258	323	167
Acquisitions	217	553	698
Production January 22 – December 31, 2003	(714)	(714)	(714)
January 1, 2004 reserves	**742**	**1,376**	**2,127**
Forecast 2004 production (boe/d)[3]	1,536	1,960	2,473
Reserves life index (years)	1.3	1.9	2.4

Numbers may not add due to rounding.

(1) Gross company interest reserves using GLJ's forecast price assumptions.

(2) Reserves have been adjusted from GLJ's report of January 1, 2003, to the effective date of the Plan of Arrangement January 22, 2003. January 22, 2003, is the effective date of acquisition of the assets by Clear Energy from Vermilion.

(3) GLJ's estimate of average production for the year 2004.

Drilling and acquisition additions, net of technical revisions, were 1,188 mboe proved and 1,768 mboe proved plus probable. Technical revisions reflect an increase of 323 mboe proved and 167 mboe proved plus probable and were primarily a result of increased reserves and recoveries for the Shane Kiskatinaw "D" pool. Reserve replacement was 167 percent for proved reserves and 248 percent for proved plus probable reserves, given Clear Energy's total production for 2003 of 714 mboe.

Summary of GLJ pricing and inflation rate assumption

January 1, 2004

NATURAL GAS FORECAST FUTURE PRICES

Year	US Golf Coast gas @ Henry Hub (US$/mmbtu)	Midwest price @ Chicago (US$/mmbtu)	AECO-C spot (Cdn$/mmbtu)	Alberta plant gate (Cdn/mmbtu)	Alberta plant gate ARP (Cdn$/mmbtu)	Alberta plant gate aggregator ($/mmbtu)
2004 Full Year	5.10	5.30	5.85	5.60	5.50	5.20
2005	4.50	4.70	5.15	4.90	4.85	4.70
2006	4.35	4.60	5.00	4.75	4.75	4.70
2007	4.35	4.60	5.00	4.75	4.75	4.75
2008	4.35	4.60	5.00	4.75	4.75	4.75
2009	4.35	4.60	5.00	4.75	4.75	4.75
2010	4.35	4.60	5.00	4.75	4.75	4.75
2011	4.35	4.60	5.00	4.75	4.75	4.75
2012	4.35	4.60	5.00	4.75	4.75	4.75
2013	4.35	4.60	5.00	4.75	4.75	4.75
2014	4.35	4.60	5.00	4.75	4.75	4.75
2015+	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr

CURRENCY, CRUDE OIL AND NATURAL GAS LIQUIDS FORECAST FUTURE PRICES

				Alberta natural gas liquids			
Year	Exchange rate (US$/Cdn$)	WTI crude oil at Oklahoma (US$/bbl)	Light, sweet crude oil (40 API, 0.3%S) at Edmonton (Cdn$/bbl)	Spec ethane (Cdn/bbl)	Edmonton propane (Cdn$/bbl)	Edmonton butane (Cdn$/bbl)	Edmonton pentanes (Cdn$/bbl)
2004	0.75	29.00	37.75	19.50	26.75	28.75	38.25
2005	0.75	26.00	33.75	17.00	21.75	23.75	34.25
2006	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2007	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2008	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2009	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2010	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2011	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2012	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2013	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2014	0.75	25.00	32.50	16.50	20.50	22.50	33.00
2015+	0.75	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr

Net asset value

The net asset value for the Company at December 31, 2003, is determined as follows:

($000s)	
Present value of proved plus probable reserves (discounted 10 percent before tax)	$ 22,965
Undeveloped land	18,221
Seismic	6,000
Cash position (net of working capital)	15,183
Proceeds from stock options	5,334
Net asset value	**$ 67,703**
Diluted shares outstanding at year end	30,552
Net asset value per diluted share	**$ 2.22**

Undeveloped land

Undeveloped land holdings of the Company were evaluated by Seaton Jordon in a report dated December 31, 2003.

	Gross Acres	Net Acres	Value
Alberta	180,742	141,857	$ 17,403,631
Saskatchewan	132,314	132,156	817,352
	313,056	**274,013**	**$ 18,220,983**

During 2003, the Company spent $2.6 million on Crown land sales with the primary focus being an expansion of the land position in the Peace River Arch. The land acquisition strategy focuses on drillable prospects and protection of existing prospect inventory. Clear Energy is prudent with its land expenditure program and avoids overpaying for trend acreage in an area which is costly and competitive such as the Peace River Arch.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis includes operating and financial results for 2003, as well as certain future operating and financial information for 2004. It should be read in conjuction with the audited consolidated financial statements for the year ended December 31, 2003. The management's discussion and analysis was prepared as of February 27, 2004.

Non-GAAP measures

Included in this annual report are references to terms commonly used in the oil and gas industry, such as cash flow and cash flow per share. These terms are not defined by generally accepted accounting principles ("GAAP"). Consequently, these are referred to as non-GAAP measures. Cash flow, as discussed in this annual report, appears as a separate caption on the Company's cash flow statement as "cash flow from operations" and is reconciled to net earnings.

Forward-looking statements

This management's discussion and analysis contains forward-looking financial and operational information, including earnings, cash flow, production and capital expenditures projections. The projections are based on the Company's expectations and are subject to a number of risks and uncertainties that could materially affect the results. These risks include, but are not limited to, future commodity prices, exchange rates, interest rates, geological risk, production and reserves risk, political risk, product demand and transportation restrictions.

Clear Energy commenced business on January 22, 2003, as a result of a reorganization of Vermilion Resources Ltd. Therefore, no comparative figures are available for prior years. The period ended December 31, 2003, represents 344 days of operation from January 22, 2003, the effective date of the Plan of Arrangement.

Throughout the report, boe, or barrel of oil equivalent, is defined as 6 mcf to 1 bbl.

PRODUCTION	**2003**
Oil and liquids	381
Natural gas	10,165
boe/d	**2,075**

OPERATING NETBACK	**Year ended December 31, 2003**	
	($000s)	($/boe)
Production revenue	$ 27,724	$ 38.94
Royalties, net of ARTC	(8,505)	(11.95)
Operating expenses	(2,186)	(3.07)
Operating netback	**$ 17,033**	**$ 23.92**

OPERATING NETBACK BY PRODUCT

Year ended December 31, 2003	Oil & NGLs ($/bbl)	Gas ($/mcf)	Total ($/boe (6:1))
Price	$ 31.38	$ 6.77	$ 38.94
Royalties (net)	(10.50)	(2.04)	(11.95)
Lifting costs	(3.62)	(0.49)	(3.07)
Operating netback	**$ 17.26**	**$ 4.24**	**$ 23.92**

Revenues

Oil and gas revenues were $27.7 million for the year ended December 31, 2003, based on average production levels of 2,075 boe/d. Natural gas revenues were $23.6 million with average production 10.17 mmcf/d for 2003. The Company's production came almost entirely from the Peace River Arch. Average natural gas prices of $6.77 per mcf for 2003 was achieved during another year of strong commodity prices. Oil and NGLs revenues of $4.1 million for 2003 is almost entirely comprised of natural gas liquids associated with the gas production. The average selling price of $31.38/bbl for oil and NGLs represents a blended price for liquids, which receives a discount to the posted market price for crude oil depending on the liquids composition.

Royalties

In 2003, royalties were $8.5 million, representing 31 percent of revenues. Royalty rates for Clear Energy are higher than industry average due to a combination of high productivity wells and gross overriding royalty obligations in excess of Crown royalties on the natural gas production at Shane and Gage. Another contributor to the high average royalty rates was the high Crown royalty rates attributed to natural gas liquids of 33 percent for the year. The Company anticipates improving the royalty rates in 2004 and future years through changes in the asset mix and new production eligible for ARTC.

Production expenses

Lifting costs for 2003 were $2.2 million or $3.07/boe for the year. On an equivalent barrel basis, production costs are significantly lower than industry average as a result of the efficiencies created by production coming from a limited number of high deliverability wells. As the Company continues to diversify its production base, management does not anticipate being able to maintain costs as low as 2003. Clear Energy has projected lifting costs of $4.00/boe for 2004.

Other income

Other income of $469,000 for 2003 represents interest earned on cash held on deposit. The Company carried a cash position throughout the year subsequent to an equity financing of $20 million. The financing closed on February 27, 2003. Management remained patient, holding cash while searching for the appropriate acquisition opportunity to diversify its production base.

General and administrative

General and administrative ("G&A") costs were $786,000, or $1.10/boe, for 2003. G&A costs were net of $330,000 of capitalized overhead costs and other overhead recoveries. Staffing levels remain constant from inception while the Company works towards its next stage of growth. Management feels increased efficiencies will be attained from future production growth with modest increases to staffing levels.

	($000s)	($/boe)
Gross G&A	$ 1,116	$ 1.57
Capitalized overhead	(199)	(0.29)
Overhead recoveries	(131)	(0.18)
	$ 786	**$ 1.10**

Income and capital taxes

The cash tax provision for the year ended December 31, 2003, of $172,000 is comprised of $91,000 of capital taxes and $81,000 of income taxes paid by private companies purchased by Clear Energy during the year. The Company has tax pools estimated at December 31, 2003, of $38.3 million available to reduce taxes owing in the future. Based on current projections for 2004, no current tax liability is anticipated for the year.

The following table summarizes the tax pool balances at December 31, 2003:

TAX POOLS ($000s)	**2003**
COGPE	$ 30,847
CEE	603
CDE	552
UCC	5,168
Share issue costs	1,118
	$ 38,288

The future income tax benefit of $389,000 as at December 31, 2003, has been significantly reduced from $5.5 million on January 22, 2003, as a result of the combination of strong profit for 2003 and the effect of the $4.15 million flow through share issue. Clear Energy's effective tax rate is higher than the statutory rate due to Crown royalties exceeding the available resource allowance deduction.

Depletion and depreciation

The Company's depletion, depreciation and amortization ("DD&A") provision for 2003 was $11.8 million, or $16.63/boe. The DD&A rate exceeds management's long-term target rate of $10.00/boe. The current DD&A rate is primarily a function of the asset book value transferred through the Plan of Arrangement and is reflective of the short reserve life index of the assets. The challenge facing the Company is to reduce this rate over future periods through successful drilling activity.

CASH FLOW AND NET EARNINGS	($000s)	($/boe)
Operating netback	$ 17,033	$ 23.92
Other income	469	0.66
General and administrative	(786)	(1.10)
Current and capital taxes	(172)	(0.24)
Cash flow from operations	$ 16,544	$ 23.24
Depletion and depreciation	11,840	16.63
Future income taxes	2,948	4.14
Net earnings	**$ 1,756**	**$ 2.47**

The cash flow netback of $23.24/bbl demonstrates the high profitability of the existing assets along with the low cost structure of the business. High commodity prices have contributed to the cash flow netbacks and sustainability will depend on the Company's success in expanding production in areas including high quality gas reserves such as the Peace River Arch. Management will be focused on improving finding costs in future periods, which will be the primary contributor to improved net earnings.

Capital expenditures

Total capital expenditures for 2003 was $26.8 million. The Company drilled 16 (11.8 net) wells resulting in six (4.75 net) natural gas wells, one (one net) oil well and nine (6.05 net) dry holes during the year. The total drilling and development program of $16.2 million focused heavily on the high risk/high reward drilling portfolio which was initially developed as the exploration portfolio for Vermilion prior to the Plan of Arrangement.

The capital program in the second half of 2003 focused heavily on expansion of land holdings, seismic and geological evaluation and initial drilling at Glacier and other areas in the Arch. The Company is generating a series of lower risk drillable prospects with further development potential in the Cretaceous and Triassic horizons. These additional horizons will be the focus for the 2004 capital program. Capital expenditures for 2004 are estimated to be $30 million, including $20 million of defined exploration and development projects and $10 million of contingent capital which will be defined as either development capital needed for an exploration discovery or a potential acquisition.

In addition to the drilling program, the Company spent $10.4 million on acquisitions comprising a $1.8 million corporate acquisition of two private companies providing entrance to a small project in West Central Alberta and the remaining $8.6 million on asset acquisitions in the Peace River Arch. The first acquisition for $3.9 million represented a consolidation of a working interest in the Snane area in order to resolve the competitive drainage dispute that occurred earlier in the year. In December 2003, the Company closed a $4.7 million acquisition at Glacier which involved the purchase of a non-producing natural gas well awaiting a pipeline tie-in and surrounding undeveloped lands with potential expansion of the existing Doig pool acquired. This acquisition provided further consolidation of the Glacier area, which will be a key exploration area of focus for Clear Energy in 2004.

CAPITAL PROGRAM SUMMARY ($000s)	Year ended December 31, 2003
Land	$ 2,633
Seismic	1,532
Drilling and completions	
Exploratory	8,501
Development	728
Subtotal	13,394
Facilities	1,774
Workovers and abandonments	297
Capitalized exploration G&A	774
Drilling and development expenditures	16,239
Corporate acquisition	1,785
Asset acquisition	8,612
Other	143
2003 capital expenditures	$ 26,779

Finding costs

The drilling program in the first half of 2003 targeted high risk/high impact Kiskatinaw channels with limited success in the target formation. However, other formations were identified and will be pursued as part of the 2004 capital program. As a newly formed company with initial assets derived from a much larger company, Clear Energy began its corporate life with a prospect list that featured higher risk exploration plays. This high risk profile is not well suited to a smaller company like Clear Energy and that is reflected in the drilling results and finding costs in our first year. Going forward, Clear Energy will build a more balanced portfolio with lower risk drilling targets. Over time, we anticipate a reduction in finding costs as well as an increase in reserve life index. The focus was to target high impact plays such as the Kiskatinaw discovery made at Gage and Shane. The 2003 program demonstrated the difficulty in identifying Kiskatinaw channels as the majority of Clear Energy's dry holes were targeting these high-risk channels in the Peace River Arch. The result, as shown on the next page, was finding costs of $17.57/boe on a proven plus probable basis which exceeds the target rate of $10.00 per boe. The challenge for the Company going forward is to diversify the project portfolio into lower risk, multi-zone plays with a longer reserve life profile providing a stable cash flow platform. The initial results of the 2004 programs indicate that the Company has been successful in identifying lower risk plays with anticipation of improved finding costs.

2003 FINDING COSTS

($000s)	Total proved	Total proved plus probable
2003 capital	$ 26,779	$ 26,779
2003 with future capital(1)	1,830	4,280
Total capital	**$ 28,609**	**$ 31,059**
Reserves (mboe)(2)	1,188	1,768
Finding costs ($/boe)		
Based on 2003 capital	$ 22.54	$ 15.15
Based on 2003 capital and future capital	$ 24.08	$ 17.57
Recycle ratio(3)	**1.03**	**1.53**

(1) GLJ estimated future development capital required to recover reserves.
(2) Clear Energy gross working interest extensions and discovered reserves, before deductions for royalties, net of revisions.
(3) Year ended December 31, 2003, cash flow from operations of $23.24 divided by finding costs based on 2003 capital.

Capital resources and liquidity

FUNDING OF CAPITAL PROGRAM ($000s)

Cash flow	$ 16,544
Equity issued	435
Cash utilized	9,800
	$ 26,779

The capital program for 2003 was funded by $16.5 million of cash flow, $0.4 million of equity exchanged on the corporate acquisition and $9.8 million of cash position, (net of working capital) utilized.

SUMMARY OF CASH POSITION ($000s)

Cash position January 22, 2003	$ 1
Equity issued for cash (net of share issue costs)	24,799
Utilized for capital expenditures	(9,800)
Private company's cash acquired (net of working capital)	183
Cash position (net of working capital) December 31, 2003	**$ 15,183**

Clear Energy's financing strategy is to utilize cash flow and equity to fund exploration in order to preserve financial capacity. The Company will use leverage primarily for the acquisition of producing properties where a borrowing base is defined and supported by a cash flow platform. The $16.2 million of exploration and development expenditures for 2003 was funded entirely by cash flow. The cash position (net of working capital) was utilized to fund the acquisitions, leaving $15.2 million available for the 2004 capital program. Combined with a bank line of $5 million, Clear Energy has $20 million of cash available for an acquisition. The Company has no off balance sheet financial arrangements in place.

The 2004 capital program of $30 million will be funded by cash flow of $17 million and $13 million of cash position. The program includes $10 million of contingent capital, which is a component of capital funded out of the cash position. The contingent capital will be used for either an acquisition or development of an exploration discovery. The premise is that utilizing the cash position for either development spending or an acquisition will result in further enhancement of the bank loan facility. Management does not anticipate using leverage for capital spending until the reserve base is expanded and diversified providing a stable cash flow base beyond 2004.

Summary of 2003 quarterly information

	Three months ended				Year ended
FINANCIAL ($000s)	**March 31**	**June 30**	**September 30**	**December 31**	**December 31**
Revenues	$ 5,456	$ 9,093	$ 4,500	$ 8,675	$ 27,724
Cash flow	3,222	5,834	2,438	5,050	16,544
per share, basic	0.14	0.21	0.09	0.18	0.62
per share, diluted	0.14	0.21	0.09	0.18	0.62
Net earnings	700	779	(18)	295	1,756
per share, basic	0.03	0.03	0.00	0.01	0.07
per share, diluted	0.03	0.03	0.00	0.01	0.07
Total assets	51,935	55,367	56,601	59,112	59,112
Capital expenditures	3,773	5,222	9,844	7,940	26,779
Cash position (net of working capital)	$ 20,382	$ 21,564	$ 14,176	$ 15,183	$ 15,183
OPERATIONAL					
Liquids (bbls/d)	286	348	225	637	381
Natural gas (mcf/d)	8,056	12,229	7,020	12,854	10,165
Boed (6:1)	1,628	2,386	1,396	2,779	2,075
Average selling price					
Liquids (per bbl)	$ 41.43	$ 31.14	$ 31.65	$ 28.03	31.38
Natural gas (per mcf)	8.35	7.29	5.91	6.01	6.77
Operations netback (per boe)	30.16	27.08	19.86	20.53	23.92
Cash flow netback (per boe)	$ 28.68	$ 26.87	$ 18.98	$ 19.89	$ 23.24

Fourth quarter review

The fourth quarter revenues and cash flow were higher than the third quarter due to increased production. Subsequent to the acquisition of a competitor's interest in the Shane area allowing production operations to resume, fourth quarter production and revenues increased substantially. Net earnings increased only slightly in the fourth quarter despite significantly higher cash flow due to a high DD&A rate of $15.86 for the quarter and higher effective tax rate of 72 percent for the quarter as explained earlier.

Critical accounting estimates

As an oil and gas producer, a number of critical estimates are applied in the preparation of the financial statements within the accounting policies defined in Note 1 of the consolidated financial statements. These critical estimates are defined below.

OIL AND GAS ACCOUNTING

Clear Energy follows the full cost method for accounting for oil and gas activities. Full cost accounting relies on the estimated proved reserves believed to be recoverable from our oil and gas properties. Determination of reserves is a complex process involving judgements, estimates and decisions based on available geological, engineering/production and any other relevant economic data. These estimates are subject to material change as economic conditions change and ongoing production and development activities provide new information. The Company's reserves are evaluated by an indepentent firm, Gilbert Laustsen Jung Associates Ltd.

Reserve estimates are critical to the following accounting estimates:

- Calculation of unit of production depletion and future site restoration rates. Proved reserve estimates are used to determine the DD&A rate applied to each unit of production.
- Ceiling test calculation, measurement of impairment of oil and gas assets. Estimated future undiscounted cash flows are determined using the estimate of proved reserves.

The above accounting estimates are critical to the determination of net earnings. These estimates, including the calculation of proved reserves, are affected by the following events:

- Changes to commodity prices
- Production performance of wells
- Changes to reservoir performance/pressures
- New geological and geophysical data
- Competitor production practices
- Changes to government regulations

As circumstances change and additional data becomes available, revisions are made to these estimates.

Business risks

As an exploration and production company in the oil and gas industry, Clear Energy is exposed to a number of business risks, which are beyond the control of management. These risks can be categorized as operational, financial and regulatory.

Operational risks include exploring for and developing natural gas and oil reserves on an economic basis, drilling risks, reservoir performance, access to contract services, availability of skilled labour and weather conditions affecting the timing of capital program completion. Clear Energy maintains an insurance policy consistent with industry standards to protect against well blowouts and other drilling problems, destruction and damage to tangible assets, pollution and third-party liability coverage. In addition, the Company employs highly qualified staff and experienced contract services and provides a compensation environment that rewards above average performance, develops long-term relationships and provides measurement objectives consistent with shareholder value enhancement. Managing reservoir risk for a company our size is difficult due to the high asset concentration that currently exists with our assets. The Company is focused on diversification of the asset portfolio to provide a geologically diverse prospect inventory while protecting access to pipeline and facilities

Financial risks include fluctuations in commodity price, interest rates and the Canadian/US dollar exchange rate. The Company does not have any hedge instruments in place to cover any of these named risks. Clear Energy's short reserve

life index may create additional financial exposure with the use of hedge instruments. As the production base begins to diversify, the Company will develop a hedging/risk management policy that will define strict controls to managing financial market exposure. The Company's approach to managing these risks is to maintain a healthy balance sheet with prudent levels of debt measured by debt to cash flow and debt coverage ratios. This allows for strong financial capacity to maintain exploration and development activities in any downturn in commodity prices. An additional financial risk is credit risk for failure of performance by counter-parties. This risk is controlled by an evaluation of the credit risk before contract initiation and ensuring product sales and delivery contracts are made with well-known and financially strong crude oil and natural gas marketers.

Regulatory risk is an area Clear Energy became more familiar with in 2003. The oil and gas industry is a heavily regulated industry with respect to environmental and safety practices. However, production and drilling practices of competitors may challenge the regulations creating production disruptions for the Company, as seen in 2003. With respect to environmental and safety issues, Clear Energy maintains an environmental and safety policy with a well-defined reporting process to the Board of Directors. Other regulatory risks include changes to royalty and tax legislation over which the Company has no control.

New accounting pronouncements

ASSET RETIREMENT OBLIGATIONS

The CICA issued Section 3110, "Asset Retirement Obligations" to harmonize Canadian GAAP with Financial Accounting Standards Board Statement No. 143. The section replaces previous guidance on future removal and site restoration costs and is effective for fiscal years beginning on or after January 1, 2004. The asset retirement obligation liability will initially be measured at fair value, which is the discounted future value of the liability. The liability accretes until the obligation is settled. The fair value is capitalized as part of the related asset and is depleted over the useful life of the asset. Prior periods will be restated in accordance with the new standard. We have estimated the January 1, 2004, asset retirement obligation to be $592,000, based on a total future liability of $774,000.

FULL COST ACCOUNTING

Accounting Guideline 16, "Oil & Gas Accounting – Full Cost," will impact the Company as it replaces the previous Accounting Guideline 5, "Full Cost Accounting in the Oil and Gas Industry." In accordance with this guideline the reserve definitions have been made consistent with those of the Society of Petroleum Evaluation Engineers Handbook. These definitions are also used in the Canadian Securities Administrators' Proposed National Instrument 51-101. The ceiling test calculation is in line with new Section 3063, "Impairment of Long-Lived Assets." Impairment is tested at the cost centre level at each balance sheet date i.e. an impairment test may be required for interim financial statements in accordance with Section 1751, "Interim Financial Statements." There is no write down of our property, plant and equipment under either the old or the new method as of December 31, 2003.

STOCK BASED COMPENSATION

In September 2003, the CICA issued an amendment to CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-based Payments." The amendment requires the recognition of an expense for all employee stock-based compensation transactions for fiscal years beginning on or after January 1, 2004. The amendment provides two alternative methods of transition to the fair value method of accounting for stock-based compensation – prospectively and retroactive methods. The Company will adopt the fair value method effective January 1, 2004. The effect of the fair value method on net earnings for the year ended December 31, 2003, is disclosed in Note 6 of the consolidated financial statements.

MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying consolidated financial statements of Clear Energy are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with accounting policies detailed in the notes to the consolidated financial statements and are in accordance with accounting principles generally accepted in Canada. Where necessary management has made informed judgements and estimates of transactions that were not complete at the balance sheet date. Financial information throughout the Annual Report is consistent with the financial statements.

Management ensures the integrity of the consolidated financial statements by maintaining high quality systems of internal control. Procedures and policies are designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded, and that the financial records are reliable for preparation of the financial statements.

Deloitte & Touche LLP, the Company's external auditors, have conducted an examination of the consolidated financial statements in accordance with generally accepted auditing standards in Canada and have provided an independent opinion.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board carries out this responsibility principally through the Audit Committee, which is appointed by the Board and is comprised of a majority of Directors who are not employees of the Company. The committee meets periodically with management and the external auditors to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements, the management's discussion and analysis and the external auditors' report before they are presented to the Board of Directors.

Jeffrey S. Boyce
President & Chief Executive Officer

Stephen E. Bjornson
Vice President Finance & Chief Financial Officer

February 27, 2004

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLEAR ENERGY INC.:

We have audited the consolidated balance sheets of Clear Energy Inc. as at December 31, 2003 and 2002, and the consolidated statements of earnings and retained earnings and cash flows for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the year ended December 31, 2003, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Calgary, Alberta

February 27, 2004

CONSOLIDATED BALANCE SHEETS

($000s)	As at December 31 , 2003	As at December 31, 2002
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,060	$ 1
Accounts receivable	4,129	–
Prepaid expenses	6	–
	23,195	**1**
Future income tax benefit (note 8)	389	–
Property, plant and equipment (note 4)	35,528	–
	$ 59,112	**$ 1**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,012	$ –
Bank loan (note 5)	–	–
Provision for future site restoration	349	–
Shareholders' equity		
Share capital (note 6)	48,995	1
Retained earnings	1,756	–
	50,751	1
	$ 59,112	**$ 1**

Approved by the Board

W. Peter Comber
Director

Jeffrey S. Boyce
Director

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

($000s, except per share amounts)		Year ended December 31, 2003
		(note 1)
REVENUE		
Petroleum and natural gas revenue	$	27,724
Royalties (net of ARTC)		(8,505)
Interest income		469
	$	**19,688**
EXPENSES		
Production		2,186
General and administration		786
Depletion and depreciation		11,840
		14,812
Earnings before income taxes	$	**4,876**
INCOME TAXES		
Future		2,948
Current and capital		172
	$	**3,120**
Net earnings		**1,756**
Retained earnings, beginning of period		–
Retained earnings, end of period	$	**1,756**
Net earnings per common share (note 7)		
Basic	$	**0.07**
Diluted	$	**0.07**

CONSOLIDATED STATEMENT OF CASH FLOWS

($000s, except per share amounts)	Year ended December 31, 2003
	(Note 1)
Cash provided by (used in)	
OPERATING	
Net earnings	$ 1,756
Items not affecting cash:	
Depletion and depreciation	11,840
Future income taxes	2,948
Cash flow from operations	16,544
Changes in non-cash working capital	(906)
	$ 15,638
INVESTING	
Drilling and development of petroleum and natural gas properties	(16,382)
Asset acquisition (note 4)	(8,612)
Corporate acquisition (note 3)	(1,101)
Changes in non-cash working capital	4,717
	$ (21,378)
FINANCING	
Issue of common shares for cash, net of share issue costs of $1,399	24,799
	24,799
Net change in cash and cash equivalents	19,059
Cash and cash equivalents, beginning of period	1
Cash and cash equivalents, end of period	$ 19,060
Cash and cash equivalents represented by:	
Cash	1,560
Cash equivalents	17,500

Supplementary cash flow information (note 9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2003

Unless otherwise stated, amounts presented in these notes are in Canadian dollars and tabular amounts are in thousands of Canadian dollars, except number of shares and per share amounts.

1. Summary of significant accounting policies

BUSINESS AND BASIS OF PRESENTATION

Clear Energy is a Calgary based oil and natural gas exploration and production company whose key business activities are focused primarily in Alberta. The Company was incorporated on December 9, 2002, and commenced operations on January 22, 2003, when a portion of the assets of Vermilion were transferred into Clear Energy under a Plan of Arrangement dated December 17, 2002. The Plan of Arrangement resulted in the shareholders and optionholders of Vermilion becoming unitholders of Vermilion Energy Trust and shareholders of Clear Energy. Clear Energy is a public company and commenced trading on the Toronto Stock Exchange ("TSX") on January 24, 2003.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the consolidated financial statements in accordance with Canadian GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from these estimates and assumptions.

PRINCIPLES OF CONSIDERATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash in the bank, less outstanding cheques, and deposits with a maturity of less than three months.

PROPERTY, PLANT AND EQUIPMENT

(i) Petroleum and natural gas properties

The Company follows the full-cost method of accounting for petroleum and natural gas operations, whereby all costs related to the exploration and development of petroleum and natural gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, well equipment, flowline and plant costs, geological and geophysical expenses and overhead expenses directly related to exploration and development activities.

Gains or losses on disposition of properties are recognized only when crediting the proceeds to the recorded costs would result in a change in the depletion and depreciation rate of greater than 20 percent.

Capitalized costs are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by independent petroleum engineers. Included in costs subject to depletion and depreciation are costs to develop proved reserves. Costs relating to unproved properties are excluded from costs subject to depletion and depreciation until it is determined whether or not proved reserves exist or impairment occurs. Properties excluded from the depletion calculation are assessed at least on an annual basis if impairment has occurred. Proved natural gas reserves and production are converted to equivalent volumes of crude petroleum based on the basis of 6,000 cubic feet of natural gas to one barrel of crude oil.

The net book value of the Company's petroleum and natural gas properties and equipment is subject to a cost recovery test (the "ceiling test"). The Company estimates the future net revenues, plus the lower of cost and estimated fair value of unproved properties, less future site restoration and abandonment costs, general and administrative expenses, financing costs and income taxes (the "future recoverable amount"). Any excess of the net book value of petroleum and natural gas properties and equipment, net of future income taxes and future site restoration liabilities, over the future recoverable amount is charged to earnings as additional depletion and depreciation. The Company will exclude its unproven properties, net of impairment, from its ceiling test as they are subject to a separate assessment for impairment. The ceiling test is a cost recovery test and is not intended to be an estimate of fair value. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future years could be significant.

(ii) Future site restoration and abandonment

Estimated future site restoration and abandonment costs are provided over the life of proved reserves using the unit-of-production method. Costs are estimated each year by management based on current regulations, costs, technology and industry standards. The amount is accounted for as an expense and included in depletion and depreciation expense. Actual future site restoration and abandonment costs are recorded in the estimated accumulated future site restoration provision in the period incurred.

(iii) Joint interest operations

Significant portions of the Company's activities are conducted jointly with third parties and, accordingly, these consolidated financial statements only reflect the Company's proportionate interest in these activities.

(iv) Office furniture, equipment and leaseholds

Office furniture and equipment is depreciated on a declining-balance method at annual rates of 20 percent to 50 percent. Leasehold improvements are depreciated over the remaining lease term.

INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are measured based upon the temporary differences between the carrying values of assets and liabilities and their related income tax basis. Income tax expense (recovery) is computed based on the change during the year in the future income tax assets and liabilities. Future income tax assets are recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax assets to be realized. Effects of changes in tax laws and tax rates are recognized in the period when substantively enacted.

STOCK-BASED COMPENSATION PLAN

The Company has a stock-based compensation plan that is described in note 6. The Company accounts for stock options issued to employees and directors based on intrinsic values. No compensation expense is recognized for this plan when stock options are issued as options are granted at prevailing market prices and any consideration paid on the exercise of stock options is credited to share capital. For stock options granted, the fair values have been determined, and the impact on earnings is disclosed as pro forma information in note 6. No compensation expense has been recorded in the consolidated financial statements, nor disclosed, for performance warrants issued due to the contingent nature of their vesting.

REVENUE RECOGNITION

Revenues from the sale of crude oil, natural gas and natural gas liquids are recorded on a gross basis when title transfers to an external party.

FLOW-THROUGH SHARES

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and future income tax is increased by the tax related to the renounced tax deduction.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The nature of the Company's operations result in exposure to fluctuations in commodity prices, exchange rates and interest rates. The Company monitors and, when appropriate, may use derivative financial instruments to manage its exposure to these risks. The Company does not use derivative financial instruments for trading purposes. The Company is exposed to credit-related losses in the event of non-performance by customers with respect to the collectibility of accounts receivable. The Company monitors its customer's credit exposure and does not anticipate non-performance by the customers.

FAIR VALUES

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximated their fair values as at December 31, 2003, due to their short-term nature.

PER SHARE INFORMATION

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options and warrants to purchase common shares were exercised. Diluted earnings per share is calculated using the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes that proceeds from the exercise of "in-the-money" stock options and warrants are used to re-purchase common shares at the average prevailing market price during the period.

2. Plan of arrangement/related party transaction

Effective January 22, 2003, as a result of a Plan of Arrangement between Vermilion and Clear Energy, certain oil and gas properties were transferred to Clear Energy. In exchange, the former Vermilion shareholders received one common share of Clear Energy for every three common shares of Vermilion they held prior to the arrangement. The number of common shares of Clear Energy which were issued to former Vermilion shareholders as a result of this transaction was 19,160,206. At the time of the transaction, Clear Energy and Vermilion were related companies resulting in the transfer of assets and related liabilities to Clear Energy from Vermilion was recorded at their carrying value. The future tax benefit reflects the excess of tax basis over the related net book value of assets transferred:

	January 22, 2003
Net assets transferred	
Working capital	$ 1
Property, plant and equipment	19,509
Future site restoration and abandonment	(90)
Future income tax benefit	5,461
Consideration – common shares issued at net book value	**$ 24,881**

3. Corporate acquisition

On May 12, 2003, the Company closed a purchase and sale agreement to acquire all of the outstanding common shares of two private Canadian oil and gas companies for a total consideration of $1,785,000, including cash and non-cash consideration. The value of non-cash consideration represents 150,000 common shares of the Company issued at the market price of $2.90 per common share representing the prevailing market price at the time of the closing of the acquisition. Family members of one of Clear Energy's directors indirectly beneficially owned, through a Family Trust, 37.5 percent of the common shares sold to Clear Energy. The Clear Energy director is a Trustee of the Family Trust and was a director and officer of both private companies.

The acquisition was recorded at exchange values. Both of the acquired companies became wholly-owned subsidiaries of Clear Energy. The acquisition was accounted for using the purchase method of accounting as follows:

ALLOCATION OF PURCHASE PRICE

Property, plant and equipment	$ 2,707
Current assets, excluding cash of $249,000	56
Current liabilities	(122)
Future income taxes	(1,003)
Site restoration	(102)
	1,536
Common share consideration (note 6)	(435)
Cash consideration, net of cash acquired	**$ 1,101**

4. Property plant and equipment

	Cost	Accumulated depletion, depreciation and amortization	Net book value
Petroleum and natural gas properties	$ 47,068	$ (11,636)	$ 35,432
Furniture, fixtures and leaseholds	143	(47)	96
	$ 47,211	**$ (11,683)**	**$ 35,528**

Costs amounting to $15,960,000 related to unproved oil and gas properties have been excluded from costs subject to depletion and depreciation. The Company has estimated the gross future removal and site restoration liability of $774,000 as at December 31, 2003. During 2003, no actual amounts were expended on removal and site restoration activities.

During the period ended December 31, 2003, the Company capitalized $198,920 of general and administrative expenses related to exploration and development activities.

During 2003, the Company completed two separate property acquisitions including one producing oil and gas property and a second property comprised of a shut-in well and associated undeveloped lands for a combined cash acquisition cost of $8,612,000.

5. Bank loan

On December 31, 2003, the Company had a $5,000,000 revolving demand loan facility. The facility bears interest at the bank's prime rate plus 1/2 percent per annum. The Company has pledged as collateral a $50,000,000 first priority floating charge demand debenture over all the assets of the Company. At December 31, 2003, no amount has been drawn on this facility.

6. Share capital

(I) AUTHORIZED

An unlimited number of common voting shares.

(II) ISSUED AND OUTSTANDING COMMON SHARES

	Number of shares	Amount
Balance, January 22, 2003	1	$ 1
Issued on transfer of assets (note 2)	19,160,206	24,881
Private placement – insiders	1,176,400	2,000
Common shares issued for cash	7,160,000	20,048
Share issue costs, net of future tax benefit of $570,016	–	(829)
Common shares issued on business acquisition (note 3)	150,000	435
Flow through share issue	1,000,000	4,150
Tax effect on flow through shares issued	–	(1,691)
Balance, December 31, 2003	**28,646,607**	**$ 48,995**

Effective January 22, 2003, the Company completed a private placement to directors, officers and employees for the issue of 1,176,400 common shares at $1.70 per share for proceeds of $1,999,880 (no share issue costs incurred). The private placement was approved on January 15, 2003, at the special shareholders meeting to approve the Plan of Arrangement involving the transfer of assets to Clear Energy from Vermilion.

On February 27, 2003, the Company closed a private placement equity financing to issue 7,160,000 common shares at $2.80 per share for total proceeds of $20,048,000. On October 9, 2003, the Company closed a flow through share private placement for the issuance of 1,000,000 flow through common shares at a price of $4.15 per share for total proceeds of $4,150,000. The proceeds of the respective equity financings are prior to the deduction of $829,000 of share issue costs (net of related tax benefit of $570,000).

(III) PERFORMANCE INCENTIVE RIGHTS

In conjunction with the private placement (private placement – insiders above) of common shares to employees, officers and directors, three performance incentive rights were issued for each common share purchased. On January 22, 2003, Clear Energy issued 3,529,200 performance incentive rights to directors, officers and employees.

Each performance incentive right will entitle the holder to acquire one Clear Energy share for a price of $1.70 per share (being the Clear Energy share net asset value ("NAV") at the time of the closing of the private placement. The performance incentive rights will have a seven-year term and will be exercisable by a holder only during the period that the holder is a director or employee of Clear Energy. Should a holder cease to be a director of Clear Energy, or should such holder's employment terminate prior to exercise of the performance incentive rights, all of said holder's performance incentive rights will terminate. Certain provisions exist which will permit acceleration of the vesting of the performance incentive rights upon a change of control of Clear Energy. The performance incentive rights will not vest for a period of one year following the date of grant and thereafter will vest in accordance with the following schedule based on the 20-day weighted average trading price of the Clear Energy shares being a multiple of the Clear Energy share NAV:

Percentage vested	Multiple of Clear Energy share NAV	Vesting price
25%	2x	$ 3.40
25%	3x	$ 5.10
25%	4x	$ 6.80
25%	5x	$ 8.50

The performance incentive rights are intended to align the founding management and directors of Clear Energy with the shareholders of Clear Energy. In accordance with the policies of the TSX, no one holder of a performance right will be permitted to acquire on exercise of a performance incentive right within a one-year period a number of Clear Energy shares exceeding five percent of the then outstanding Clear Energy shares. On February 20, 2004, the first tranche of performance rights vested following completion of the vesting requirements. A total of 882,300 performance rights (25 percent of the 3,529,200 rights) have vested subsequent to December 31, 2003, and are eligible for conversion to one common share at $1.70 per share for each performance right exercised.

(IV) STOCK-BASED COMPENSATION

The Company has a stock-based compensation plan under which options to purchase common shares of the Company have been issued to employees, officers and directors. Under the plan, all options awarded have a maximum term of five years, and vest over three years on the basis of one-third per year. The plan has 2,500,000 common shares reserved for issuance, of which 1,905,000 were issued at an exercise price of $2.80 and were outstanding at December 31, 2003. No options had vested to December 31, 2003. The weighted average remaining life of all the outstanding stock options is four years.

The Company measures compensation cost based on the intrinsic value of stock option awards at their date of grant and that cost is recognized over the vesting period of the option. As the exercise price of options granted approximates the prevailing market price of the Company's shares on the date of the grant no compensation costs has been recorded in the statement of earnings.

Had the fair value method of account for stock-based compensation been used, the net effect on the consolidated financial statements for the period ended December 31, 2003, would have been to increase general and administrative expenses and decrease net earnings by $ 796,064 and decrease earnings and diluted earnings per share by $0.03. The fair value of each option was determined as at each stock option grant date using the Black-Scholes model with the following assumptions: risk free interest rate – 4.5 percent, expected life – four years and volatility – 50 percent). The weighted average grant-date fair value of options granted was $1.19 per share for the period ended December 31, 2003.

7. Per share amounts

The calculation of basic and diluted net earnings per share is based on the weighted average number of common shares outstanding as shown in the table below:

	Year ended December 31, 2003
Net earnings	$ 1,756
Net earnings per share	
Basic	$ 0.07
Diluted	$ 0.07
Weighted average shares outstanding	
Basic	26,747,305
Diluted	26,872,485
Common shares outstanding at December 31	
Basic	28,646,607
Diluted (1)	30,551,607

(1) The diluted shares outstanding exclude 3,529,200 performance rights, which are not exercisable and are treated as contingently issuable shares as all the conditions for issue have not been satisfied as at December 31, 2003.

8. Income taxes

The future income tax benefit is comprised of the following temporary differences as follows:

		December 31, 2003
Future income tax benefit		
Share issue costs	$	454
Future site restoration		142
Future income tax liabilities		
Property, plant and equipment		(207)
Future income tax benefit	**$**	**389**

The provision for income tax differs from the amount that would have been expected if the reported earnings had been subject only to the statutory Canadian income tax rate of 40.75 percent.

		December 31, 2003
Earnings before income taxes	$	4,876
Corporate tax rate		40.75%
Expected tax expense		1,987
Increase (decrease) in taxes resulting from		
Non-deductible crown payments		2,905
Resource allowance		(2,170)
Canada statutory tax rate change		117
Current capital taxes		172
Other		109
Provision for income taxes	**$**	**3,120**

At December 31, 2003, the Company has approximately $38,288,000 of tax deductions for Canadian income tax purposes.

The Company's tax provision increased by $117,000 due to the statutory rate reduction in the second quarter of 2003. The reduced rates caused an increased tax provision as a result of reduction that occurs to the recorded future income tax benefit. The future tax benefit will reverse at lower rates in the future creating a lower recovery of taxes.

9. Supplemental cash flow information

(i) Changes in non-cash working capital

	Year ended December 31, 2003
Decrease (increase) in non-cash working capital	
Account receivable	$ (4,081)
Prepaid expenses	2
Accounts payable and accrued liabilities	7,890
Change in non-cash working capital – operating	**$ 3,811**

(ii) Other cash flow information

	Year ended December 31, 2003
Cash taxes paid	$ 81
Cash interest received	$ 469

10. Commitments

The Company has various commitments and guarantees through the ordinary course of business. The impact of these commitments and guarantees are reflected in the consolidated financial statements when the amounts can be reasonably estimated.

The Company is committed to payments under various operating leases for office space and leased field compressors as follows:

YEAR	Amount
2004	$ 464

The above commitments includes an estimate of the Company's share of operating expenses, utilities and taxes for the duration of the office lease.

CORPORATE INFORMATION

DIRECTORS

Charles W. Berard (1) (2) (3) (4) (5)
Partner, Macleod Dixon LLP

Jeffrey S. Boyce
Calgary, Alberta

W. Peter Comber (1) (2) (3) (4)
Managing Director, Barrantagh
Investment Management Inc.
Toronto, Ontario

Larry J. Macdonald (1) (2) (3) (4)
Chairman & CEO,
Point Energy Ltd.
Calgary, Alberta

(1) Audit Committee
(2) Governance & Human Resources Committee
(3) Environment, Health & Safety Committee
(4) Independent Reserves Committee
(5) Lead Director

OFFICERS & KEY PERSONNEL

Jeffrey S. Boyce
President & Chief Executive Officer

Chris Baker
Vice President, Exploration

C. Tom Banks
Vice President,
Engineering & Operations

Stephen E. Bjornson
Vice President Finance
& Chief Financial Officer

Rob Sheedy
Land Manager

For further information, please visit our web site at
www.clearenergyinc.com or contact:
Mr. Steve Bjornson, Vice President Finance & CFO
Mr. Jeff Boyce, President & CEO
Tel: [403] 410-3100
info@clearenergyinc.com

AUDITORS

Deloitte & Touche LLP
Calgary, Alberta

BANKER

Bank of Montreal
Calgary, Alberta

EVALUATION ENGINEERS

Gilbert Lautsen Jung Associates Ltd.
Calgary, Alberta

LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

TRANSFER AGENT

Valiant Trust
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: CEN

ABBREVIATIONS

$000s	Thousands of dollars
AECO	Alberta Energy Co.
ARTC	Alberta Royalty Tax Credit
bbls	Barrels
bbls/d	Barrels per day
bcf	Billion cubic feet
boe	Barrel of oil equivalent
boe/d	Barrel of oil equivalent per day
Clear Energy or the Company	Clear Energy Inc.
EUB	Energy Utilities Board
G&A	General and administrative
GJ	Gigajoules
GLJ	Gilbert Lausten Jung Associates Ltd.
km	Kilometres
mbbl	Thousand barrels
mboe	Thousand barrel of oil equivalent
mcf/d	Thousand cubic feet
mmcf/d	Million cubic feet
NGLs	Natural gas liquids
NPV	Net present value
TSX	Toronto Stock Exchange
Vermilion	Vermilion Resources Ltd.
WTI	West Texas Intermediate

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CLEAR

ENERGY INC

Clear Energy Inc.
Suite 2900
400 4th Avenue S.W.
Calgary, Alberta T2P 0J4
Tel: [403] 410-3100
Fax: [403] 410-3111
info@clearenergyinc.com

www.clearenergyinc.com